WORLD BANK NEWS

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LENDING

Healing Croatia

War-Torn Country Turns to Health Care Reform

After four demanding years of providing medical care in the midst of intermittent civil war, Croatia is taking steps to control burgeoning health care costs and address fundamental problems of high infant mortality and shortened life expectancy.

In 1993, two years after independence, Croatia's health care expenditures had climbed to among the highest in Eastern Europe, and government officials realized that health reforms begun before the war had to resume in earnest. Two bold reform initiatives launched last year have begun to help. Health care costs are being contained and the medical system is shifting from an over-reliance on curative care to more effective primary and preventive care, which emphasize healthy habits and early treatment to head off serious conditions.

A $40 million World Bank loan approved February 14 recognizes the early success of Croatian health policy makers in reducing chronic health sector deficits and in shifting resources to primary care. Now, the Bank program will help the country institute yet more rigorous financial management, and it will provide funds to refurbish equipment for primary care and update essential equipment for emergency and hospital trauma services.

"I'm bullish on the Croatian Ministry of Health, and I congratulate them on making some tough decisions," says Brad Herbert, the Bank's senior operations officer for the country. "The shift from expensive curative services to better and more cost-effective primary health care will have a beneficial impact, over time, for all Croatians."

The Bank project builds on reforms that set primary care as the cornerstone of the medical system—in part by shifting ownership of most health facilities from the national to provincial levels—and that established a national network of health institutions financed by the health insurance system.

See **Croatia**, *page 2*

Damjan Tadic

Croatia is healthier, and happier.

The Bank this week announced plans to help Mexico's reform efforts in the wake of the peso crisis. **2**

The Haitian government is moving forward on bold plans to privatize state-owned enterprises with help from the IFC. **4**

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Bank Plans Help for Mexican Reforms

Action Plan Targets Banking, Social Sectors, Infrastructure Privatization

The World Bank announced this week that it is prepared to provide immediate assistance to support measures designed to restore sustained growth to Mexico's economy in the aftermath of the country's currency crisis.

The announcement followed talks in Mexico City on the country's medium-term economic program between Mexican Finance Minister Guillermo Ortiz Martinez and Bank Managing Director Richard Frank

Frank said the Bank welcomed the international package of loan guarantees announced last week by the President of the United States. "These measures are designed to address the short term financial crisis and should help to restore confidence in an economy that we believe is fundamentally sound," Frank said. "It is, however, critically important for the government to continue with the policies and reform programs which have been the basis for the progress Mexico has made in recent years. The World Bank's assistance will support the government's medium-term economic plan, which is designed to strengthen those sectors that have been affected by the currency crisis and ensure that the economy continues on the fundamentally sound course it had been following. We are also committed to assisting the government in its determination to help those people—particularly the poorest members of society—on whom the recent events have had the severest impact."

Mexico has asked the Bank to focus its lending and specialized advice in three priority areas:

· **Financial Sector**. The Bank will expand its assistance program to strengthen the commercial banking sector. Building on a recent technical assistance loan to help improve bank regulation and supervision, the Bank will now extend its assistance to help Mexican banking authorities address the restructuring needs of commercial banks.

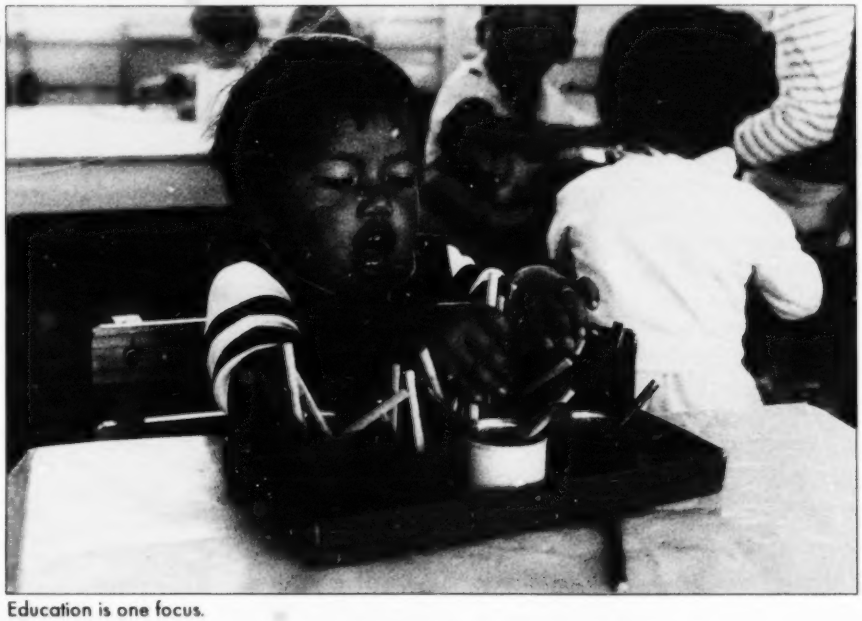
· **Social protection**. The Bank will support efforts to protect the social and economic well-being of the poorest, most vulnerable members of Mexican society from the consequences of the crisis. Special attention will be paid to expanding health, nutrition and education in the poorest parts of the country.

· **Infrastructure Privatization**. Given the infrastructure needs of a growing economy, there is a critical role for the private sector in ensuring that these investments are carried out as efficiently as possible. In addition to providing advice on the lessons of international experience, the Bank will help the government formulate the right institutional and regulatory framework for privatization.

The Bank may commit up to $2 billion during 1995 for these operations.

These initiatives will build on the extensive support the Bank has provided Mexico in recent years. The Bank has made commitments of $8.7 billion to the country in the last five years for economic reform, social programs, infrastructure and the environment.□

UNICEF/Sean Sprague



Education is one focus.

Reforms to Give Croatians More Health Choices

Croatia, *from page 1*

And a new Health Insurance Institute supervises both health facilities and private care providers.

Over four years, the Bank loan will improve the quality of health care by providing almost $35 million in financing for computer hardware and software, medical equipment, fellowships, study tours, training, specialized advice and public education materials. The project will also provide almost $14 million to improve the operational and financial management of the health insurance system.

"This project will mean that Croatians can choose their own doctors—thus putting new demands on physicians to provide the best care possible," says Herbert. "The infant mortality rate should drop as better equipped primary health care facilities become more responsive to the needs of pregnant women."□

Development Agenda

Date	Event	Sponsor	Location	Telephone
FEBRUARY				
16-17	Conference on Stock Markets, Corporate Finance and Economic Growth	World Bank	Washington	(202)473-7465*
21-23	Better Health in Africa, Panel Meeting	WHO/UNICEF/Gov'ts of Sweden, Switzerland, United States/World Bank	Paris	(202)458-8012*
27-28	Tanzania Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
MARCH				
1	Uzbekistan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
2-3	Kazakhstan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
6-12	World Summit for Social Development	United Nations	Copenhagen	(221)963-5873
9-10	Zimbabwe Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
13-15	Mozambique Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
20	Moldova Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
22-24	Second Annual Congress of the Americas	World Congress, Inc.	Mexico City	1-800-767-9499*
APRIL				
3-4	Jordan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
3-6	Sixth Global Warming International Conference and Expo	The Global Warming International Center	San Francisco	(708)-910-1551*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Haiti Opens For Business With IFC Help

Privatization Plan Seeks to "Democratize" Assets

Haiti will begin the job of privatizing state-owned industries—a crucial part of the country's effort to build a healthy economy and a modern, democratic society—with help from the World Bank Group's International Finance Corporation (IFC).

IFC announced this week that it has signed an agreement with the government to advise Haiti on the privatization of nine state-owned enterprises in both evaluating the industries' market potential and implementing the divestiture program.

"This is the surest way to convey to the international investment community the clear signal that Haiti has now re-opened for business," says Philippe Lietard, director of IFC's Corporate Finance Services Department.

To spread the benefits of privatization, those shares of privatized enterprises not sold to foreign partners will be reserved by the government for disadvantaged groups of the population , including the victims of past political repression. The exact nature of the transfer has yet to be finalized.

Haiti will use the proceeds from privatization to construct public schools and hospitals and replenish underfunded pensions. The revenue will also be used to improve social conditions and public services in rural Haiti, as well as the country's environmental infrastructure.

In the first phase of the program, IFC staff and outside consultants will examine the business fundamentals of each of the nine enterprises and perform company valuations. The second phase will involve the sale of the companies, either as going concerns or as asset divestitures.

The state-owned enterprises to be considered for privatization include the electric and telephone utilities, the port and airport authorities, two banks and two, agribusiness firms. Work on the cement, port and power projects is already under way.□

Weekly Roundup

Albania In less than two years, Albania's majority rural population was thrust from rigid cooperative and state planning to a system of private landownership. But many of the 400,000 newly created family farms lack basic tools, capital or credit. A $6 million IDA credit, approved February 14, aims to help Albania develop its changing rural economy. The project focuses on improving vital rural infrastructure--including roads, markets, water and irrigation systems--and providing small-scale credit to more than 9,000 farmers.

India A new $25 million to India's Export-Import Bank from the International Finance Corporation will help finance the development of small and medium-sized businesses in India's export sector, which account for 40 percent of the country's exports. The Exim bank has provided more than 1,000 loans to such businesses.

Mexico A Mexican petrochemical company will be able to boost production of a key raw material for polyester fiber and plastic bottles under a new financing agreement with the International Finance Corporation. Using two IFC loans totalling $20 million, Temex will be able to increase production of purified terphthalic acid by 200,000 metric tons a year, while improving its environmental standards through lowered energy consumption.

The International Finance Corporation is the private sector arm of the World Bank and is the largest multilateral source of equity and loan financing for private sector projects in developing countries. For more information on IFC projects listed in the Roundup, contact (202) 473-7700.

WORLD BANK NEWS

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.